

The most important thing you need to know about credit insurance is that to be an allowable additional charge, IT IS VOLUNTARY. You have to give written indication that you desire the insurance.

## **TYPES OF CREDIT INSURANCE**

### **Credit Life Insurance. . . .**

Credit life insurance pays the gross or net amount of the credit transaction owed at the time of death. There are three types of credit life insurance:

◆Single life insurance covers the life of a single debtor in the transaction. If single life insurance is taken out on a transaction that both spouses signed, either the husband or the wife is the insured.

◆Joint life insurance covers the life of two debtors, usually the husband and wife.

Single and joint life insurance are reducing term insurance. This means the amount of insurance decreases as the balance of the credit transaction is reduced.

◆Level term life insurance is placed on single-pay credit transactions. The amount of the insurance does not decrease.

### **Credit Accident and Health Insurance. . . .**

also known as Credit Disability Insurance

Credit accident and health or disability insurance make payments on the credit transaction when the insured is unable to work due to a disability such as an accident or a health problem.

The insurance takes effect after 7, 14, or 30 days of disability, then is payable from that date or is retroactive to the date of the accident or illness. The number of days and whether the period is retroactive or not depends upon the policy.

### **Unemployment Insurance. . . .**

Unemployment insurance makes payment on the credit transaction in the event the insured becomes

unemployed. Ask specific questions about unemployment insurance since policies may offer different benefits.

## **COST OF INDIANA CREDIT INSURANCE**

Credit insurance premiums are based on the gross amount of credit which includes the principal balance, including the credit insurance premium, and the interest.

### **Indiana Single credit life insurance rates. . . .**

Single credit life insurance rates are \$.65 per \$100.00 of the initial insured indebtedness per year in Indiana. For example a loan with a total indebtedness of \$1,000 for a term of 3 years would have a single credit life insurance premium of \$19.50.

### **Indiana Joint credit life insurance rates. . . .**

Joint credit life insurance rates are \$1.08 per \$100.00 of the initial insured indebtedness per year. In the above example, the joint credit life insurance premium would be \$32.40.

### **Indiana Credit life insurance premiums on monthly balances outstanding. . . .**

Credit life insurance premiums on monthly balances outstanding such as charge cards are \$1.00 per \$1,000.00 per month.

### **Indiana Level term life insurance rates. . . .**

Level term life insurance rates are \$1.20 per \$100.00 of the initial insured indebtedness per year. A single payment transaction for \$1,000.00 payable in 3 years would have a level term life insurance premium of \$36.

### **Indiana Accident and health insurance rates. . .**

Accident and health or disability insurance rates are based on a period of months of indebtedness, the waiting period, and whether or not the benefits are retroactive to the date of accident or illness per \$100.00 of initial insured indebtedness. In the example of a

\$1,000.00 loan for 3 years, the premium for single accident and health insurance would be \$38.00 for a 14 day waiting period with retroactive benefits.

### **Unemployment insurance rates. . . .**

Unemployment insurance rates are based on approval from the Department of Insurance based on the terms of the policy.

## **WHAT IF THE CREDITOR REQUIRES CREDIT INSURANCE?**

A creditor can require credit insurance on a loan; however, if it is required, it is no longer an allowable additional charge and the premium/s must be included in the finance charge and reflected in the annual percentage rate disclosed.

If a creditor states you **must** have credit insurance in order to get the loan, do not sign that you desire the insurance and make sure that it is not disclosed as an additional charge in the itemization of the amount finance. If it is and they want you to sign that you desire the insurance, they should be told that practice is a violation of federal Regulation Z and the Indiana Uniform Consumer Credit Code, and you should contact our department regarding the violation.

## **PROPERTY INSURANCE**

If the loan is secured by personal property, the creditor can require that the property be insured. You must be able to select your own insurance. If the creditor has insurance available, they must give you the cost of the premium and the term of the insurance.

If you get your own insurance, you must be sure the insurance shows a loss payee to the creditor and that the creditor gets a copy of the original insurance policy and a copy of renewals of the policy.

If the creditor does not receive proof that the property is insured, they can secure insurance and add it to your account along with finance charges on the premium. The cost of the insurance placed by creditors is usually more expensive than insurance that you could secure.

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- Applying for Credit
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- Car Financing Scams
- Charge Card Fraud
- Choosing A Credit Card
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- Rule of 78s – What is it?
- Scoring for Credit
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- Using Credit Cards
- Variable Rate Credit
- What is a Budget?
- What is the DFI?

Call our toll-free number or write to the address on the cover for a copy of any of the brochures listed or for further consumer credit information. You can also access information at our web site on the Internet: <http://www.dfi.state.in.us>, then click on Consumer Credit.

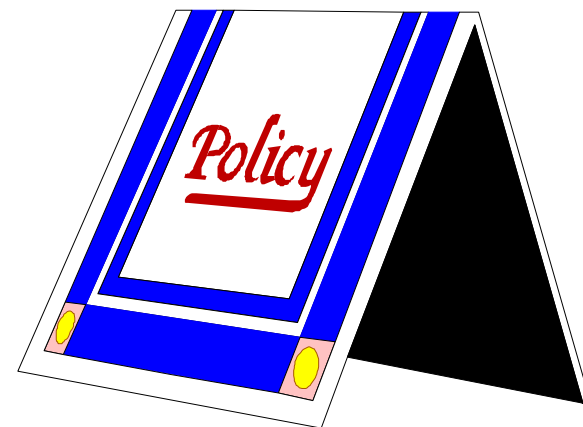


# CREDIT INSURANCE

## CREDIT LIFE

## CREDIT DISABILITY

## UNEMPLOYMENT



## DEPARTMENT OF FINANCIAL INSTITUTIONS

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